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**ORIGINAL**

**BEFORE THE ARIZONA CORPORATION COMMISSION**



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**RECEIVED**

**COMMISSIONERS**

KRISTIN K. MAYES- Chairman  
GARY PIERCE  
PAUL NEWMAN  
SANDRA D. KENNEDY  
BOB STUMP

2010 FEB -5 P 3: 35

Arizona Corporation Commission

**DOCKETED**

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

FEB - 5 2010

DOCKETED BY

*MM*

IN THE MATTER OF THE REVIEW AND) Docket No.: RT-00000H-97-0137  
POSSIBLE REVISION OF ARIZONA UNIVERSAL)  
SERVICE FUND RULES, ARTICLE 12 OF THE)  
ARIZONA ADMINISTRATIVE CODE. )

) Docket No.: T-00000D-00-0672

IN THE MATTER OF THE INVESTIGATION OF )  
THE COST OF TELECOMMUNICATIONS )  
ACCESS. )

) **APA'S NOTICE OF FILING COMMENTS**

Arizona Payphone Association ("APA") hereby files comments in this docket specifically related to the discrete issue concerning the basis and structure of Arizona Universal Service Fund ("AUSF") contributions and surcharges as proposed by Arizona Corporation Commission Staff ("Staff").

The Direct Testimony of Staff Witness Wilfred Shand recommends that the methodology to collect the AUSF surcharge be changed and now assessed on jurisdictional retail revenues rather than the current methodology whereby the Arizona Corporation Commission ("Commission") assesses the AUSF surcharge on intrastate long distance revenues and on interconnection trunks. See Direct Testimony of Wilfred Shand, page 30, Question 11, lines 17-24. Staff also now recommends that AUSF contributions come from all sectors of the industry. Id. at page 12, lines 2-6. While the APA does not take a position on how to assess the AUSF

1 surcharge, APA is requesting that payphone providers' status remain the same so that  
2 payphone providers are not required to contribute to the AUSF.

3  
4 Currently, under the existing AUSF rules, payphone providers **do not** pay an AUSF  
5 surcharge. This practice should continue, regardless of whether the surcharge is based on  
6 intrastate long distance revenues and interconnection trunks or jurisdictional retail revenues.  
7 Payphone providers are customers of local exchange carriers ("LECs") and pay tariffed rates to  
8 LECs. The LECs are providing a service to payphone providers which have been deemed to  
9 cover their costs and provide a reasonable return on their investment. Additionally, many  
10 payphone providers are competing with LECs in rural areas or where there are poor or non-  
11 coverage cell phone areas (usually in rural areas). LECs serving in competing areas are often  
12 receiving AUSF support or in the future may be able to receive such support. Requiring  
13 payphone providers to contribute to the AUSF is not equitable; the AUSF system should  
14 continue as it is today whereby payphone providers do not pay into the AUSF.

15  
16  
17 Additionally, APA considers payphone providers to be in a unique situation compared to  
18 other telecommunication service providers. Arizona payphone providers provide public safety,  
19 information, and communication for all Arizonans. Customer-owned pay telephone (COPT)  
20 providers are defined as entities authorized by the Commission to provide public pay telephone  
21 service to end-users. A.A.C. R14-2-901(3). The key word in the prior sentence is "public."  
22 While many of us may not regularly use payphones like we once did, Arizonans continue to rely  
23 on payphones for their public safety and communication needs. Our rural, Native American and  
24 disadvantaged communities use payphones to meet their daily communication needs and to  
25 overcome poor cell phone coverage in the remote areas of our state. However, payphones also  
26

1 provide a critical safety net to all Arizonans in times of emergency. It serves the economically  
2 disadvantaged and is a key communications tool in our poor and homeless communities.  
3 Payphones have proven themselves to be a public service necessity during terrorist attacks,  
4 9/11, Katrina, fires, floods and earthquakes when cell phone service was disabled by equipment  
5 failure or overwhelmed by call volume.  
6

7 Payphones are also an option for roadside emergencies for motorists needing assistance  
8 for family or from emergency responders and is an option in emergencies as a reliable  
9 communication system in response to assaults and accidents. Unfortunately, the payphone  
10 industry has experienced dramatic declines in recent years and this public service risks further  
11 deterioration. Today, the APA and its members find it necessary to approach the Commission in  
12 hopes of working together to preserve a system of payphones and the public services they  
13 provide.  
14

15 Payphones are not part of the AUSF funding mechanism today, and APA respectfully  
16 requests that the Commission continue the status quo. Payphones would generate a miniscule  
17 amount of revenue for the AUSF with less than an estimated 9,000 payphones in Arizona as of  
18 December 2009, a decrease of close to 50% in the number of payphones in the last 3 years. If  
19 payphones have to fund AUSF, APA expects the numbers to drop even more dramatically.  
20

21 Additionally, APA asks the Commission to bear in mind that the payphone industry is  
22 competing against the very same rural LECs that will receive AUSF funds and may be asked to  
23 put monies into the very same fund that LECS will withdraw from to help keep LECs in business  
24 to serve the very same rural communities that payphones serve. As the payphone industry  
25 does not have much in the way of cost cutting ability or the ability to pass on an increase in  
26

1 expense, if payphones have to absorb an AUSF surcharge, payphones may become a thing of  
2 the past. As payphones are already the true source of universal service, APA urges the  
3 Commission to keep payphones exempt from the AUSF for the above mentioned reasons.  
4

5 RESPECTFULLY submitted this 5<sup>th</sup> day of February, 2010.

6  
7 **LAW OFFICE OF KAREN E. NALLY, PLLC**

8 By: Karen E. Nally  
9 Karen E. Nally  
10 3420 E. Shea Blvd., Suite 200  
11 Phoenix, Arizona 85028  
12 Attorney for Arizona Payphone Association

13  
14 The original and fifteen copies  
15 of the foregoing were filed  
16 this 5th day of February, 2010:

17 Docket Control  
18 Arizona Corporation Commission  
19 1200 W. Washington St.  
20 Phoenix, Arizona 85007

21 A copy of the foregoing was emailed or mailed  
22 this 5th day of February, 2010 to:

23 Jane Rodda, Esq.  
24 Administrative Law Judge  
25 Hearing Division  
26 Arizona Corporation Commission  
400 W. Congress  
Tucson, Arizona 85701  
jrodda@azcc.gov

Maureen Scott  
Senior Attorney

1 Arizona Corporation Commission  
2 1200 West Washington  
3 Phoenix, Arizona 85007  
mscott@azcc.gov

4 Dan Pozefsky, Chief Counsel  
5 Residential Utility Consumer Office  
6 1110 West Washington, Suite 220  
7 Phoenix, Arizona 85007  
dpozefsky@azruco.gov

8 Norm Cutright  
9 Qwest Corporation  
10 20 East Thomas Road, 16<sup>th</sup> Floor  
11 Phoenix, Arizona 85012  
12 Attorney for Qwest

13 Reed Peterson  
14 Qwest Corporation  
15 20 East Thomas Road, 16<sup>th</sup> Floor  
16 Phoenix, Arizona 85012

17 Isabelle Salgado  
18 Dan Foley  
19 AT&T Nevada  
20 645 E. Plumb Lane, B132  
21 P.O. Box 11010  
22 Reno, Nevada 89520  
23 dan.foley@att.com  
24 gc1831@att.com

25 Joan S. Burke  
26 Law Office of Joan S. Burke  
1650 N. First Avenue  
Phoenix, Arizona 85003  
joan@burkelaw.com  
Attorneys for Time Warner Telecom  
Attorneys for XO Communications

Michael W. Patten  
Roshka De Wulf & Patten, PLC  
One Arizona Center  
Phoenix, Arizona 85004

1 mpatten@rdp-law.com  
2 Attorneys for Cox Arizona Telecom, LLC  
3 Attorneys for McLeod USA

4 Lyndall Nipps  
5 Vice President, Regulatory  
6 Time Warner Telecom  
7 845 Camino Sur  
8 Palm Springs, California 92262  
9 Lyndall.Nipps@twtelecom.com

10 Craig A. Marks  
11 Craig A. Marks, PLC  
12 10645 N. Tatum Blvd., Suite 200-676  
13 Phoenix, Arizona 85028  
14 Craig.Marks@azbar.org  
15 Attorney for ALECA

16 Dennis D. Ahlers  
17 Associate General Counsel  
18 Eschelon Telecom, Inc.  
19 730 Second Avenue, Suite 900  
20 Minneapolis, MN 55402  
21 ddahlers@eschelon.com

22 Michael M. Grant  
23 Gallagher & Kennedy  
24 2575 East Camelback Road  
25 Phoenix, Arizona 85016  
26 mmg@gknet.com  
Attorneys for AT&T

Dennis D. Ahlers  
Associate General Counsel  
Integra Telecom, Inc.  
730 Second Avenue, Suite 900  
Minneapolis, MN 55402  
ddahlers@eschelon.com

Thomas Campbell  
Michael Hallam  
Lewis and Roca LLP  
40 N. Central Avenue

1 Phoenix, Arizona 85004  
2 tcampbell@lrlaw.com  
3 mhallam@lrlaw.com  
4 Attorneys for Verizon

5 Rex Knowles  
6 Executive Director-Regulatory  
7 XO Communications  
8 111 E. Broadway, Suite 100  
9 Salt Lake City, Utah 84111  
10 Rex.knowles@xo.com

11 Stephen H. Kutka  
12 Director and Counsel  
13 Sprint Nextel  
14 201 Mission St., Suite 1500  
15 San Francisco, CA 94105  
16 Stephen.h.kutka@aprint.com

17 Arizona Payphone Association  
18 c/o Gary Joseph  
19 Sharenet Communications  
20 4633 West Polk Street  
21 Phoenix, Arizona 85043  
22 garyj@nationalbrands.com

23 Charles H. Carrathers, III  
24 General Counsel, South Central Region  
25 Verizon, Inc.  
26 HQEO3H52  
600 Hidden Ridge  
Irving, Texas 75015-2092  
Chuck.carrathers@verizon.com

Nathan Glazier  
Regional Manager  
Alltel Communications, Inc.  
4805 E. Thistle Landing Drive  
Phoenix, Arizona 85044  
Nathan.glazier@alltel.com

Arizona Dialtone, Inc.  
Thomas W. Bade, President

1 717 W. Oakland Street  
2 Chandler, Arizona 85226  
3 tombade@arizonadialtone.com

4 Mark A. DiNunzio  
5 Cox Arizona Telcom, LLC  
6 1550 West Deer Valley Road  
7 MS DV3-16, Bldg C  
8 Phoenix, Arizona 85027  
9 Mark.dinunzio@cox.com

10 OrbitCom, Inc.  
11 Brad Van Leur, President  
12 1701 N. Louise Avenue  
13 Sioux Falls, South Dakota 57107  
14 bvanleur@svtv.com

15 William A. Hass  
16 Deputy General Counsel  
17 McLeodUSA Telecommunications Services, Inc.  
18 6400 C. Street SW  
19 Cedar Rapids, Iowa 52406  
20 Bill.Haas@mcleodusa.com

21 Paul Castenada  
22 President, Local 7019  
23 Communication Workers of American  
24 2501 West Dunlap, Suite 103  
25 Phoenix, Arizona 85021  
26 pcastenada@cwa7019.org

Greg L. Rogers  
Senior Corporate Counsel  
Level 3 Communications, LLC  
1025 Eldorado Boulevard  
Broomfield, Colorado 80021  
Greg.rogers@level3.com

Janice Alward, Chief Counsel  
Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85004



1 Steven Olea, Director  
2 Utilities Division  
3 Arizona Corporation Commission  
4 2100 West Washington Street  
5 Phoenix, Arizona 85007

6 Karen E Nally  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
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